

ATTACHMENT 2:

**COMMENT LETTERS THAT
SPECIFICALLY REFERENCE
THE LITTLE THUNDER LBA TRACT
(WYW150318)
AND BLM RESPONSES**

MAXIM DRILLING AND EXPLORATION, INC.

RECEIVED - BLM
JAN 23 2004
CASPER FIELD OFFICE

P.O. Box 3947

GILLETTE, WY 82717

307-682-2506

FAX 307-686-6300

January 19, 2004

BLM
2987 Prospector Drive
Casper, WY 82604
Attn: Nancy Doelger

Dear Mrs. Doelger;

Maxim Drilling and Exploration, Inc. (Maxim) currently owns and operates the Elsie Wolf #1 well located in T43N, R71W, Section 15: NENE in Campbell County, WY. This fee well is completed in the Dakota formation.

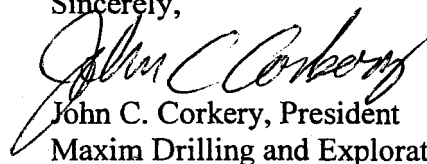
This well had sold gas through a gathering pipeline owned by Kinder Morgan, Inc. (KM). According to the map provided in the South Powder River Basin EIS (p.3-85), this pipeline passes through the proposed Little Thunder LBA tract beginning in Section 14 of T43N, R71W and ending in Section 12 of T43N, R71W.

KM's low pressure line is the only gathering facility that could provide any service to this area. Without this gathering line, or one performing the same function, this gas well is not able to be produced.

In order to avoid further disruption of our gas gathering services, we request that the lessee of the Little Thunder LBA commit to provide an alternate means by which the gas from this well can be sold.

Thank you for this opportunity to comment.

Sincerely,



John C. Corkery, President
Maxim Drilling and Exploration, Inc.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Casper Field Office
2987 Prospector Drive
Casper, Wyoming 82604-2968

3425(LBA)
WYW150318
(Little Thunder)
WYW151643
(West Antelope)

MAY 12 2004

Maxim Drilling and Exploration, Inc.
Attn: John Corkery
P.O. Box 3947
Gillette, WY 82717-3947

RE: January 19, 2004 Comment Letters on the Applications to Lease Federal Coal
in the Little Thunder and West Antelope Lease By Application (LBA) Tracts
[Evaluated in the Final South Powder River Basin Coal Environmental Impact
Statement (EIS)]

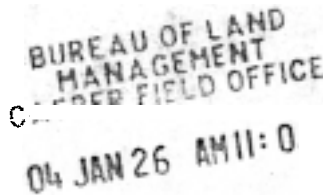
Dear *John* ~~Mr. Corkery~~:

We have reviewed the comments you provided relative to the gas gathering pipeline owned by Kinder Morgan, Inc. (KM), which services several wells owned and operated by Maxim Drilling and Exploration, Inc. and crosses two tracts of federal coal [the Little Thunder LBA Tract (WYW150318) and the West Antelope LBA Tract (WYW151643)] that BLM is considering offering for lease. BLM received applications to lease the federal coal in these tracts from existing coal mines adjacent to the tracts (the Black Thunder Mine and the Antelope Mine, respectively). The EIS does identify the presence of the oil and gas pipelines on the LBA Tracts (Section 3.17, Figures 3-21 and 3-23) and indicate that relocation of pipelines and utility lines would be handled in accordance with specific agreements between coal lessees and pipeline utility owners if the need arises (page 4-86). Arrangements to relocate these facilities must take place before the federal coal can be removed.

If you have any questions or would like to discuss your concerns further, please contact Nancy Doelger at (307) 261-7627.

Sincerely,

Assistant Field Manager, Solid Minerals



January 23, 2004

Via E-Mail (casper_wymail@blm.gov), Facsimile (307-261-7587) and U.S. Mail

Nancy Doelger
Bureau of Land Management
Casper Field Office
2987 Prospector Drive
Casper, Wyoming 82604

***RE: Comments--Final South Powder River Basin Coal Environmental
Impact Statement ("FEIS") -- Little Thunder Lease by Application Tract
Delineation, Case File No. WYW-150318***

Dear Ms. Doelger:

On behalf of Kennecott Energy Company ("KEC"), we appreciate this opportunity to comment on the above-described FEIS. KEC is particularly interested in the tract delineation proposed for the Little Thunder Lease by Application ("LBA"). As with the Draft South Powder River Basin Coal EIS (January 2003), the FEIS identifies two alternative tract configurations, including one large 5,085 acre tract (FEIS Alternative 2) and two smaller tracts of ,065 acres (North Tract) and 4,018.81 acres (South Tract) (FEIS Alternative 3). The North Tract is adjacent to KEC's Jacobs Ranch Mine and KEC has testified and submitted written comments encouraging the Bureau of Land Management's ("BLM's") adoption of FEIS Alternative 3. The FEIS does not restate these comments, summarize comments raised at BLM's public hearing or respond to KEC's testimony. See FEIS, Appendix M. KEC requests that the administrative record reflect the letter dated February 11, 2002 from John Trummel to former BLM

Nancy Doelger
January 23, 2004
Page 2

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MANAGEMENT
CASPER FIELD OFFICE

Wyoming State Office Director Al Pierson, attached as Exhibit A and a letter dated June 1: 02
7, 2002 from Dean D. Dvorak to Director Pierson, attached as Exhibit B.

KEC urges BLM to adopt FEIS Alternative 3 in the final Record of Decision ("ROD"). Under FEIS Alternative 3, BLM would split the LBA into two tracts for competitive sale: the North Tract containing 1.9 millions tons of federal coal and the South Tract containing 441 million tons of federal coal. The two tracts would be split along State Highway 450 and the BMSF&UP Railroad spur and offered under two separate competitive lease sales.

We appreciate BLM's consideration of these comments and urge BLM to adopt Alternative 3 in its final ROD regarding this matter.

Sincerely,



Patricia A. Britton
Vice President, Law and Government Affairs

Enclosures

cc: John Trummel
Denise A. Dragoo, Esq

BUREAU OF LAND
MANAGEMENT
CASPER FIELD OFFICE

EXHIBIT A

04 JAN 26 AM 11:02

Kennecott Energy Company
505 South Gillette Avenue
P. O. Box 3009
Gillette, Wyoming 82717-3009
(307) 687-6000 Fax: (307) 687-6015

BUREAU OF LAND
MANAGEMENT
CASPER FIELD OFFICE

04 JAN 26 AM 11:02



February 11, 2002

Mr. Al Pierson, State Director
U.S. Department of the Interior
Bureau of Land Management
5353 Yellowstone Road
Cheyenne, WY 82009

Re: Little Thunder LBA WYW150318

Dear Mr. Pierson:

Jacobs Ranch would like to take this opportunity to provide the BLM with comments relative to the delineation of the Little Thunder LBA WYW150318.

The original Little Thunder application, as applied for by Ark Land Company, included only those coal reserves located south of State Highway 450 and the BNSF & UP rail spur. Subsequently Ark Land modified the Little Thunder LBA application to include coal reserves north of the highway and rail, in Section 2, T43N R71W and Section 35, T44N R71W.

Jacobs Ranch believes that splitting the Little Thunder LBA at the highway and rail would best serve the public interest in that it creates two blocks, both of which would be of competitive interest. As to timing, Jacobs Ranch believes that both the north and south tracts should be offered for sale on the same date.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Trummel', written over a horizontal line.

John Trummel

On Behalf of Jacobs Ranch Coal Company

EXHIBIT B

BUREAU OF LAND
MANAGEMENT
CASPER FIELD OFFICE

04 JAN 26 AM 11:02

Kennecott Energy Company
505 South Gillette Avenue
P. O. Box 3009
Gillette, Wyoming 82717-3009
(307) 687-6001 Fax: (307) 687-6011

Dean D. Dvorak
President and Chief Executive Officer

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

02 JUN -7 AM 10: 00

RECEIVED
CHEYENNE, WYOMING

BUREAU OF LAND
MANAGEMENT
CASPER FIELD OFFICE

04 JAN 26 AM 11: 02

June 7, 2002

The logo for Kennecott Energy, featuring a stylized 'K' made of three horizontal bars of increasing length, followed by the words 'Kennecott' and 'Energy' in a bold, sans-serif font.

Mr. Al Pierson, State Director
U.S. Department of the Interior
Bureau of Land Management
5353 Yellowstone Road
Cheyenne, WY 82009

Re: Little Thunder LBA WYW150318

Dear Mr. Pierson:

Jacobs Ranch Coal Company (an affiliate of Kennecott Energy Company) would like to take this opportunity to provide the BLM with additional comments relative to the delineation of the Little Thunder LBA WYW150318. These comments are in accord with a letter from John Trummel dated February 8, 2002, and statements by Jerry Tystad to the Regional Coal Team on May 30, 2002.

The original Little Thunder application, as applied for by Ark Land Company, included only those coal reserves located south of State Highway 450 and the BNSF & UP rail spur. Subsequently, Ark Land modified the Little Thunder LBA application to include coal reserves north of the highway and rail in Section 2, T43N R71W, and Section 35, T44N R71W.

Jacobs Ranch believes that splitting the Little Thunder LBA at the highway and rail would best serve the public interest. This would be accomplished through maximizing the bonus payment by creating two parcels with a greater total value than one single tract. The reasons include:

- The highway and rail corridor is a logical break in the reserve body.
- Black Thunder can access both the north and south blocks from the east as simple extensions to planned pits, so splitting the tract does not decrease the value to them. The block to the north, however, because of its proximity to both Jacobs Ranch and Black Thunder, has potential for strong competitive interest. Splitting the tract would better insure that maximum value is extracted from the coal north of the transportation corridor.
- If offered as a single tract, the transportation corridor creates an impediment (other than to Black Thunder) to mine advance from the north or from the south. Thus, any other successful bidder would incur

Mr. Al Pierson
Page 2
June 7, 2002

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MANAGEMENT
CASPER FIELD OFFICE

substantial expense to "jump" over the transportation corridor, open a new box cut, and resume mining. The south parcel would therefore have greater potential value if severed and offered as a separate tract.

06 JAN 26 AM 11:02

During the Regional Coal Team meeting, there was discussion regarding impacts related to permitting and timing of mining. Although offering the tract in two parcels creates the potential for two separate permitting activities, Jacobs Ranch believes the incremental impact to the State's resources will be relatively small compared to the potential gains from a more competitive sale. In regard to the timing of mining, from the standpoint of tax and royalty payments, it makes little difference when this coal is extracted. In a given year, the total Powder River Basin tonnage on which the BLM and State receive royalty and tax benefits is controlled by market requirements with little or no relationship to when this particular coal is mined.

We understand LBA's must be offered in a manner that maximizes the return to the Federal and State treasuries and avoids creating artificial barriers to entry. Jacobs Ranch believes that splitting the tract enhances the potential for meeting these requirements.

In conclusion, Jacobs Ranch believes the maximum value will be extracted from this sale if the Little Thunder tract is split at the transportation corridor and offered as two separate parcels on the same day.

Regards,



Dean D. Dvorak



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Casper Field Office
2987 Prospector Drive
Casper, Wyoming 82604-2968

3425 (LBA)
WYW150318
(Little Thunder)

Kennecott Energy Company
Attn: Patricia A. Britton
P.O. Box 3009
Gillette, WY 82717-3009

MAY 12 2004

RE: Kennecott Energy Company (KEC) January 23, 2004 Comment Letter on the
Final South Powder River Basin Coal Environmental Impact Statement (EIS)

Dear Ms. Britton:

Thank you for taking the time to review and comment on the Final South Powder River Basin Coal EIS. The following information is provided in response to your comments about BLM's preferred tract configuration for the Little Thunder LBA Tract (WYW154001).

The letter from John Trummel with KEC to former BLM Wyoming State Office Director Al Pierson dated February 11, 2002 and the letter from Dean A. Dvorak with KEC to Director Pierson dated June 7, 2002 are part of the administrative record for the Little Thunder LBA Tract (WYW150318), as is the transcript of the public hearing. The Draft South Powder River Basin Coal EIS was released to the public in January of 2003. The referenced letters were submitted while the Draft EIS was in preparation and the information provided was considered during preparation of the Draft and Final EIS documents, as evidenced by the inclusion of Little Thunder LBA Alternative 3 in both documents. BLM considered KEC's written comments, the comments received at the hearing from KEC, the comments received from the applicant for the Little Thunder LBA Tract, Ark Land Company, in writing and at the public hearing, and the BLM's own in-house analyses in selecting Alternative 2 of the Final EIS as the preferred alternative.

If you have any questions or would like to discuss your concerns further, please contact Nancy Doelger at (307) 261-7627.

Sincerely,

Assistant Field Manager, Solid Minerals